Government spending in dynamic general equilibrium models

Propositions

Accompanying the Thesis

Government Spending in Dynamic General Equilibrium Models

By

Stefan Kühn

1.) The existence of the consumption crowding-in puzzle is in itself a puzzle to old-Keynesian economists. (Chapter 1)

2.) Crowding out of consumption occurs almost by construction in the New Keynesian model. For that reason all approaches to explain crowding-in existing thus far in the literature have to make far-stretched assumptions. (Chapter 3)

3.) Even though the direct effect of temporary government spending is to reduce household's saving desire, it can still increase savings if it is persistent and productive enough. (Chapter 4)

4.) Endogenous technological progress not only allows long run effects of temporary shocks, but also changes the short run response due to a dynamic feedback effect. (Chapter 5)

5.) Economists become very creative in trying to prove a point with a model, which is not made for that purpose. (Chapter 3)

6.) Only once you start research into a topic you get to see how much you actually don't know about it.

7.) The fact that people do not live infinitely and maximize a log-linear utility function is clearly a failure of reality.

8.) According to Isaac Asimov, we still have another 23.000 years until a working multi-planetary societal and economic model useful for multi-century forecasting will be developed by Hari Seldon. For now, economists are happy if they can explain developments of the past with their model.

9.) A calendar with 13 months of 28 days each (plus an extra day somewhere) would make much more sense.

10.) Don't take life too serious. You'll never make it out alive. (Van Wilder)

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